



**FIRST CAPITAL**  
**TREASURY SOLUTIONS**  
(Pty) Limited

First Capital  
*Food Price Monitor*  
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## Summary

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### Trends of price movements

- First Capital (FC) Food Price Index increased from 100.7 in January 2016 to 113.8 in January 2017 indicating that the price of food generally increased by 12.7 percent in January 2017 compared to the price 12 months ago.
- As of January 2017, an average food basket of food needed to feed a Namibian family costed N\$1092 relative to the cost of N\$969 a year ago.
- For an identical food basket costing 1055 in Windhoek, a family in Katima Mulilo will need N\$1260 to afford the same food basket.
- The cost difference of an identical basket of food in Katima Mulilo and Windhoek have doubled in two months indicating that inflation is felt much in the northern part compared to central parts of the country. We are of the opinion that the higher price increase in northern part of the country than in central regions is explained by the cost of transport due to recent fuel hikes.
- Using the average spending pattern of an average family, we observed that meat, poultry and fish products accounts for 35 percent of the cost of the basket an average Namibian family consumes a month while 32 percent is spent on cereal food items (Maize, rice, macaroni and loafs of bread).
- White maize accounts for half of the total demand for cereals, while wheat and mahangu accounts for 38 and 11 percent respectively
- Ninety percent of mahangu cereals consumed within the country are locally produced while only 10 percent is sourced from other countries.
- During 2014/15, Namibia produced 36 percent of the total demand for vegetables and fruits consumed in the country and 64 percent imported.
- Despite that potatoes are the most demanded, Namibia only produces a quarter of the total demand for potatoes, while 75 percent of potatoes consumed are imported. Very few bananas are also produced in Namibia while nearly all bananas consumed are imported. Similarly Namibia imports 93 percent of the total demand for oranges.
- The global production of cereals declined marginally in 2015/16 after reaching a peak in 2014/15, that saw an increase of 11 percent in inventories, a situation that is highly credited to have caused the sharp price fall of global cereal prices in the same period.
- Global rice production is mainly dominated by Asian countries with top 9 biggest producers of rice being Asian countries amongst them China, India, Indonesia, Bangladesh, Vietnam etc. Production of rice by Asian countries accounts for nearly 90 percent of the global production.

### 2017 Outlook on price movements

- We estimate Food price inflation to remain above 10 percent in the first two quarters of 2017 and trend marginally below 10 percent in the last two quarters of 2017.
  - We believe that the price decline in domestically produced cereals by Namib Mills will be insufficient to bring food inflation within single digits given the limited weight of such goods on the shopping basket of consumers and the increase on other products that could offset the price relief on domestic cereals.
  - The decline in prices will be mainly influenced by cereals like maize meal, macaroni, spaghetti and rice due to the implementation of the price relief by Namib Mills as producers of cereal goods a decision we believe will translate to lower retail prices of such cereals. Milk prices could also decline as we anticipate production to increase on account of improving livestock conditions.
  - However, we anticipate meat prices to increase for at least for another year as farmers restock livestock and limit supply.
  - The likelihood of fuel hikes could push up retail food prices in northern regions as cost of transport will peak up.
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## Our contribution to information

Welcome to the January 2017 First Capital Food Price Monitor, which tracks and summarise prevailing food prices and the direction of prices over time at retail level. The report also provides possible explanations of observed trends and an outlook of the potential direction of prices in the near future. Food prices in Namibia remains a concern not only to consumers but all stakeholders involved in the whole process. In Namibia, like many other countries, the rate of increase in food prices have in recent years surpassed the price increase in overall consumer goods a situation that risks more poverty levels as more money is needed to buy similar food items that costed less in the past. As of December 2016, the Namibian Statistics Agency (NSA) recorded an overall annual inflation and food inflation of 7.3 % and 12.5 % respectively, a situation indicating that food prices increased more than the increase of a basket of items used by consumers. Through this report we encourage you dear readers to use information provided to draw up your budget for food and compare prices by various supermarkets, and also benchmark such prices with prevailing average prices (e.g. If the price of an item is above average price then it is overpriced and when a supermarket sell below average price, then it's prices are cheaper within the geographic area or town).

## Our Methodology

The First Capital Food Price Monitor uses a list of identical food items that was derived from a study conducted to determine the common food items being bought and consumed by average Namibians in all parts of the country. The findings were used to construct a food basket, containing a list of food items that features most on consumer food shopping list. Six towns (Windhoek, Keetmanshoop, Swakopmund, Ondangwa, Rundu and Katima Mulilo) are considered for this exercise with need to expand its geographic coverage to other regions or towns over time. However we remain convinced that given the geographic location of these six towns, it more or less represents a picture of the whole country. A total of six retail shops in each town are considered for collection of prices every month. The prices of food item from all supermarkets in a given area are averaged to give an average price of each item by area (e.g. the price of bread in Windhoek reflects the average of all prices of bread from all the six supermarkets in Windhoek). These item specific prices are then used to derive an index figure which, if compared with an index of the previous period, will give you the average price increase/decrease (Inflation) for the current period (e.g. An Index of 113.8 in January 2017 and 101.1 of January 2016 gives a difference of 12.7 points which means that a basket of food now costs you 12.7 percent more than it could cost you in January 2016. To derive an index during a specific period, we follow the following formula:

$$\text{Price Index (January 2017)} = \frac{\text{Price of food basket in January 2017}}{\text{Price of food basket in December 2015}} \times 100.$$

## 1. First Capital Food Price Monitor

### 1.1. The cost of a food basket of an average Namibian family as of January 2017 prices

Table 1 below summarises the average basket of what and how much food on average a Namibian family buys from supermarkets in a given month. This may differ from family to family based on its diverse needs and purchasing power. However, in this case the basket was derived by averaging the monthly consumption patterns of different families. As of January 2017, an average food basket needed to feed a Namibian family costed N\$1 092.17. However this same basket of food costed N\$969.10 in January 2016 while in December 2010 you could buy it at N\$728. The N\$123.07 increase in the cost of a food basket between January 2016 and January 2017 translates to a 12.7 percent rise of general food prices. This means that the purchasing power of the Namibian dollar on food declined by nearly 13 percent. Meat, poultry and fish products accounts for 35 percent of the cost of the basket an average Namibian family consumes a month while 32 percent is spent on cereal food items such as Mealie-meal, rice, macaroni and loafs of bread.

**Table 1: FC Food basket**

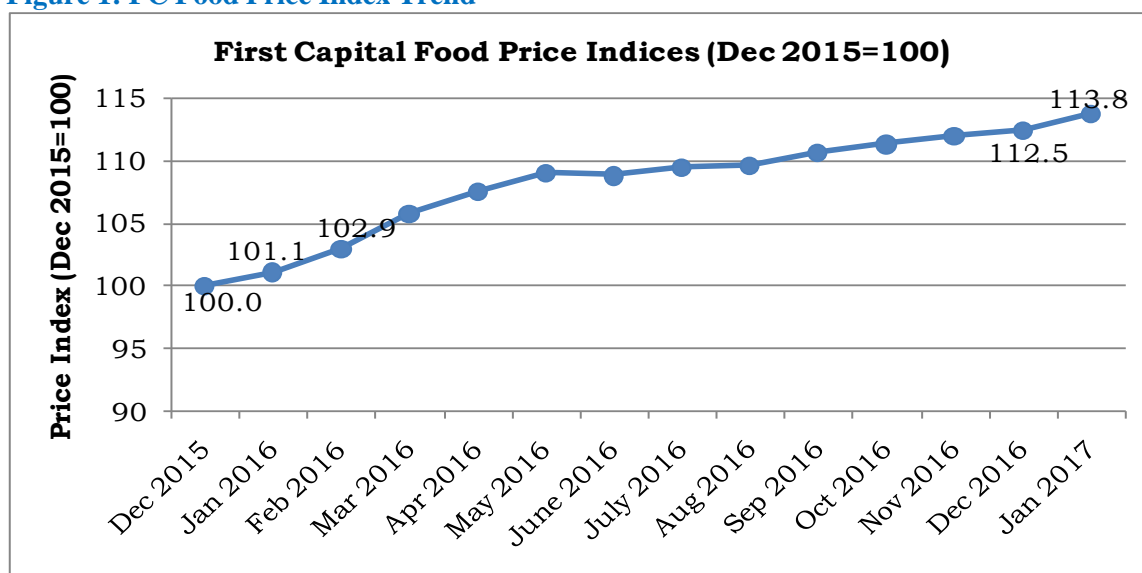
<b>Food Item</b>	<b>Quantity</b>	<b>Price</b>
Meat	2.1 Kg	N\$139.70
Canned Fish products	1Kg	N\$55.30
Loose fish	1.1 kg	N\$17.55
Poultry products	4.5 Kg	N\$171.00
Rice	4 kg	N\$46.00
Macaroni	3 kg	N\$51.99
Mealie-meal	10 kg	N\$99.99
Loafs of Bread	15 loafs	N\$135. 50
Sugar	2 Kg	N\$34.50
Cooking oil	2 L	N\$42.25
Vegetables (Tomato, Onion & Potato)	6 kg	N\$109.00
Fruits (Banana, oranges & apples)	2.1 kg	N\$38.85
Milk Products	3 L	N\$53.00
Beverages (Cool drinks)	2L	N\$16.99
Beverages (Mineral water)	1L	N\$6.00
Coffee & Tea bags	300g	N\$45.05
Other food items		N\$29.50
<b>Total cost of basket</b>		<b>N\$1 092.17</b>

Source: First Capital Research

## 1.2. First Capital Food Price index trend

First Capital food price index for January 2017 which depicts the price movements of a basket of food items increased to 113.8 from 112.5 in December 2016 indicating an increase of 1.3 percent in the general price of a food basket (m/m) used to measure food prices (See figure 1). On an annual basis, the price index increased by 12.7 percentage points from the 101.1 price index recorded for January 2016 to 113.8 in January 2017. This implies that food prices surged by 12.7 percent in January 2017 compared to prices in January 2016. Furthermore, the annual inflation of 12.7 percent for January 2017 is higher than 12.5 percent recorded in December 2016. Similarly, the m/m inflation of 1.3 percent recorded in January is higher than 0.9 percent in December 2016. This increase in the FC food basket reflects the continued rise in cost of living in Namibia which has dire consequences on the poor who spend a sizable share of their incomes on food consumption.

**Figure 1: FC Food Price Index Trend**



Source: First Capital Research

When the Index is higher than 100 the prices are moving up, when it's less than a 100 prices are moving down

## 2. FC Food Price Index Sub-Index Analysis

### Meat & Poultry

The prices of meat and poultry products increased by nearly 8.0 percent in January 2017 compared to the same period last year indicating the upward effect on price when supply is falling short while demand remains strong. Poultry product prices increased notably by 7.9 percent in January 2017 (y/y) though lower than 8.2 percent price hike for livestock food products (Beef, Pork and mutton). Rising feed prices and declining supply of livestock due to drought linked depletion and poor conditions mainly on cattle livestock explain most of the increase in the price of meat and poultry products.

**Outlook:** Due to severity of the prolonged drought that had depleted herds of livestock as farmers sold to avoid losing to drought while in other cases some livestock were lost naturally, farmers are likely to optimise on

good rains this season by restocking hence limiting supply of meat. As the livestock farming recovers, weak supply will keep prices rising for livestock meat products.

### *Maize Meal*

The retail price of maize meal declined by 0.7 percent between December 2016 and January 2017 reflecting a relief to consumers as supermarkets pass the benefit that comes with bumper harvests to consumers. Annual figures show an increase of 12.1 percent in January 2017 compared to maize meal prices in January 2016. Maize meal, being a product made from maize grains, was similarly under short supply during the year due to low harvest that came after low rainfalls were recorded, and as a result, prices of grains increased and letter prices of maize meals followed suit.

**Outlook:** Maize meal stands out as one of the food items which recorded the highest price increase between January 2017 and January 2016. In line with preliminary confirmation of good rains throughout the country, we expect prices to decline as harvests linked to rains increases local production and hence supply.

### *Milk*

The Price Index for milk products recorded an increase of 12.2 points from January 2016 to January 2017. On a monthly basis, we observed an average price increase of 0.2 percent for milk products in January 2017.

**Outlook:** Good rainfall as preliminary records indicates will improve natural grazing areas of livestock from dry to fresh green. The improvements in grazing areas will serve as a source of nutrients that can support animal's ability to produce more milk. The expected harvest which will increase supply of grains will also have a positive effect since supplementary feeds for dairy cows will be available for feeding.

### *Rice*

The price of rice increased by 0.1 percent between December 2016 and January 2017 while an annual average price hike of 9.1 percent was recorded in January 2017. Just like many other crop products, rice production was equally affected by weather related conditions in major rice producing countries like Thailand. Therefore, the price of rice surged as demand outpace supply.

**Outlook:** Unlike other cereal products, rice is almost entirely imported with little of it produced locally. Namibia being a net importer of rice, domestic prices are mainly influenced by international prices which in turn are influenced by global supply situation of rice. The global supply of rice which, is projected by FAO to trend higher this year amid good harvests from Asian countries, could result in low prices that will benefit Namibian consumers. Though Namibia have in the past year benefited less from global price declines due to its weak currency which meant paying more Namibian dollar for imports, the continuing declining

international prices of rice and the recent strengthening of the local currency could further translate to lower prices of rice.

### **Bread**

On an annual basis, the price of bread went up by 12.9 percent in January as wheat prices increased during the period. However relative to December 2016 prices, bread prices marginally climbed by 0.3 percent. The price movement of bread is in line with price movements of wheat, an input for producing bread.

**Outlook:** Prospects of rainfall for 2016/17 season are good and we expect the harvest of wheat to increase and wheat price to fall. This will have a pass-through effect on the price of bread.

### **Sugar**

Sugar prices increased by more than 14.2 percent between January 2016 and January 2017. However, between December 2016 and January 2017, sugar prices increased by 0.1 percent. El Nino related weather effects during the 2015/16 harvest year reduced global sugar production which also resulted in a significant decline of the stocks of sugar to supplement low output. 2015/16 harvest year saw sugar production lower than consumption for the first time in five years due to drought effects that continued to affect production among major sugar producing countries.

**Outlook:** Due to the prolonged effects of drought in the major sugar producing countries like Thailand, weak supply of sugar is expected in near future although Brazil’s is showing improvement on accounts of favourable weather and the shift from converting sugar cane to ethanol. As such, prices will still remain volatile in the near future on account of weak supply from major sugar producing countries. The price cut exclusion of sugar from a list of items produced by Namib Mills as it was indicated, could also see prices of sugar edging up.

**Table 2: First Capital (FC) Food Price Indices by categories**

December 2015=100

	2015					2016/ 17			
	Aug 2015	Sep 2015	Oct 2015	Nov 2015	Dec 2015=100	Oct 2016	Nov 2016	Dec 2016	Jan 2017
<b>Meat &amp; Poultry<sup>1</sup></b>	99.9	98.8	99.2	99.6	100	104.6	104.8	104.6	105.0
<b>Fruits</b>	91.5	94.1	96.1	98.9	100	107.8	108.3	111.0	113.7
<b>Vegetables</b>	93.8	95.3	96.8	98.3	100	108.7	108.9	109.6	111.0
<b>Bread</b>	97.8	100	99.8	99.9	100	111.9	112.5	112.9	113.9
<b>Milk<sup>2</sup></b>	99.2	99.2	99.6	99.8	100	111.5	111.4	111.5	112.4
<b>Non-Alcoholic Beverages</b>	99.1	99.2	99.2	99.7	100	108.8	109.2	109.8	111.1
<b>Staple Foods</b>	97.8	99.9	97.8	99.1	100	112.8	113.1	113.0	114.2
<b>Sugar</b>	98.7	98.6	99.1	99.6	100	115.5	115.6	115.6	117.3
<b>FC Food Price Index</b>	97.5	98.6	98.9	99.9	100	111.4	111.6	112.5	113.8

When the Index is higher than 100 the prices are moving up, when its less than 100 prices are moving down

1. Include chicken (1.5kg, 2kg thighs & braaicuts), Pork, beef stew. 2 Includes 2L Pasteurized homogenized & 1L fresh milk

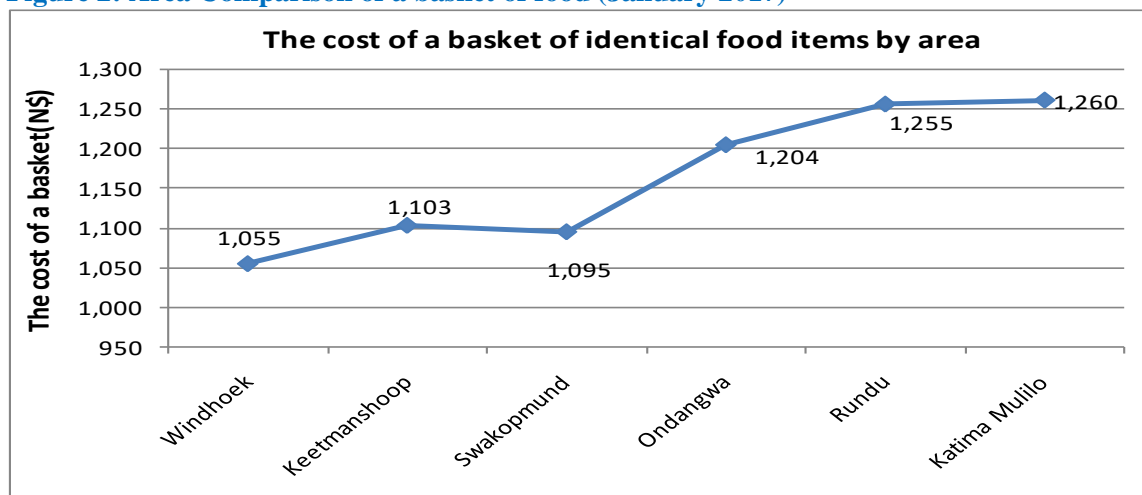
Source: First Capital Research



### 3. Cost of Living by Town

FC Food Price Index compiles Data from different branches of six supermarkets around six towns in the country in order to compile the proxy for the cost of living using food prices for each of these towns. Certain items cannot be compared at certain times because they are not available at other supermarkets in other towns at the time of collection. The prices represented below are average prices, for example, the price of bread represented under a particular town is the average price of the cheapest non-branded 700g bread in the supermarkets of that town at that particular time. According to our findings, Windhoek remains cheapest with a cost of N\$1 055 for a basket of food items which can cost you N\$1 260 in Katima Mulilo. On average a basket of food in Windhoek will cost you more than N\$205 less than you could buy it in Katima Mulilo. With noting, the widening of the difference in the cost of identical basket of food in Windhoek and North eastern regions is explained by the cost of transport from supplying centres in central regions to the northern parts of the country.

**Figure 2: Area Comparison of a basket of food (January 2017)**



Source: First Capital Research

#### How much do you pay per food item by town

Table 3 summarises the average prices of food items in each town. Prices vary by town depending on the competitive advantages some towns has over other town in relation to the prices of food items which are locally produced in such towns as well as the cost of transport. On average prices are cheaper in Windhoek than other towns. The price of beef meat in Windhoek was recorded at N\$68.10 per Kg while in Katima Mulilo, Rundu and Keetmanshoop it costs above N\$70 per kg. On average chicken prices are 5 percent cheaper in Windhoek than they cost in Rundu and Katima Mulilo. Since most goods supplied are produced and packaged in the central area of the country, it does not come as surprise that towns far-rest to Windhoek have slightly higher prices than in Windhoek. Since vegetables are locally produced, northern towns have price advantage on vegetable food items.

**Table 3: Average Prices for selected towns for January 2017**

Source: First Capital Research

Goods	Description	Windhoek	Keetmanshoop	Swakopmund	Ondangwa	Rundu	Katima Mulilo
Bread	White	9.50	10.01	9.89	9.95	10.05	10.23
	Brown	8.99	9.55	9.25	9.50	9.55	9.55
Meat & Poultry	Beef (p/kg)	68.10	70.85	70.60	70.99	70.95	70.55
	Mutton (p/kg)	66.99	65.60	68.01	67.02	68.15	68.21
	Full Chicken Frozen (p/kg)	49.50	50.15	50.55	50.85	50.10	50.90
	Full Chicken Frozen (1.8kg)	92.35	93.35	93.00	93.50	93.05	93.17
	Chicken (1,5kg)	58.99	59.65	59.75	60.10	60.05	61.05
	Chicken (2kg) Braai Cuts	78.95	80.99	79.50	82.99	80.92	82.75
Fish & Sea Food	Lucky Star Pilchard (400g)	23.10	23.15	23.10	23.50	23.65	23.75
	Mamas Pilchard (400g)	21.99	22.05	21.61	21.68	22.30	22.35
	Horse Mackerel (p/kg)	17.99	18.10	18.00	18.20	18.39	18.49
	Maasbanker (p/kg)	14.00	14.05	13.89	14.45	14.99	15.20
Mealie Meal	Top Score 5kg	56.50	64.20	64.15	64.20	64.59	64.30
	Top Score 10kg	99.99	101.05	100.90	100.95	101.95	102.20
Rice	Tastic (2kg)	32.02	32.15	32.46	32.95	35.55	35.85
	Local Store Brand(2kg)	27.15	27.41	27.35	27.70	29.51	29.50
Macaroni	Polana (2kg)	33.20	33.81	33.45	33.99	33.99	34.15
	Elbows (2kg)	33.01	33.80	33.96	34.15	34.85	34.99
Vegetables	Tomato (p/kg)	15.49	16.09	16.20	15.99	15.20	15.20
	Potato (p/kg)	16.99	18.80	18.95	17.22	17.01	17.05
	Onion (p/kg)	16.94	16.99	17.33	17.01	15.10	17.10
Fruits	Banana (p/kg)	19.99	20.70	20.15	20.05	19.95	20.01
	Oranges (p/kg)	19.45	19.99	19.50	19.35	19.89	20.05
	Apples (p/kg)	17.99	18.59	18.50	18.65	18.75	19.10
Butter	Rama (500g)	24.99	25.15	24.68	23.24	25.75	24.89
	Sunshine (500g)	21.66	21.99	21.88	22.01	22.12	22.30
Eggs	30 Large Eggs						
Milk	Farm Fresh (1L)	16.55	16.89	16.99	17.50	17.65	17.95
Sugar	Marathon White 2kg	34.55	36.20	34.99	36.95	37.55	37.98
	Sugar King White 2kg	32.95	34.95	33.55	35.95	36.10	36.22
	Marathon Brown 2kg	30.35	35.29	33.55	36.34	36.45	35.99
	Sugar King Brown 2kg	29.99	30.15	31.05	31.90	31.05	31.25
Cooking Oil	(750ml)	17.55	17.40	17.68	17.72	17.01	17.00
	(2L)	42.55	42.95	42.67	43.25	43.95	44.90
Cereal	Oats (Jungle) 1kg	28.99	29.90	29.95	29.99	31.23	32.05
Tea	Five Roses (250g)	30.99	31.68	31.25	31.45	31.75	32.05
	Fresh Park (200g)	38.66	38.68	38.69	38.70	38.75	38.96
Coffee	Ricoffy (250g)	36.05	36.45	36.97	37.15	37.19	36.99
Flour(2.5kg)	Cake (Bakpro)	33.50	34.15	33.95	35.10	35.65	35.90
Cool drink(2L)	Coke	18.99	19.05	19.10	19.05	19.55	19.60
	Fanta	18.99	19.05	19.15	19.15	19.55	19.89

Source: First Capital Research

#### 4. The price we pay today relative to prices back then in 2010

Table 4 below compares the prices of food items in January 2017 relative to the prices back then in December 2010. Prices in 2017 on average nearly doubled. We noted a 47.2 percent average increase in prices of identical food basket between December 2010 and January 2017. Our findings compares favourably with NSA figures which shows that food prices increased by 49 percent during the same period.

**Table 4: 2010 Prices vs. 2017 Prices**

Goods	Description	December 2010 Prices(N\$)	January 2017 Prices(N\$)
Bread	White	6.11	9.95
	Brown	6.26	9.05
Meat & Poultry	Beef Stew ( p/kg )	48.22	69.99
	Mutton ( p/kg )	46.08	67.15
	Chicken (1,5kg)	30.99	62.25
	Chicken (2kg) Braai Cuts	41.36	82.95
Fish & Sea Food	Lucky Star Pilchard (400g)	14.02	23.55
Mealie Meal	Top Score 5kg	32.8	64.55
	Top Score 10kg	61.02	101.15
Rice	Tastic (2kg)	14.24	33.99
	Local Store Brand(2kg)	12.99	29.10
Macaroni	Polana (2kg)	21.45	32.75
Vegetables	Tomato (p/kg)	9.77	15.695
	Potato (p/kg)	8.89	17.99
	Onion (p/kg)	7.64	17.05
Fruits	Banana (p/kg)	13.19	20.99
	Oranges (p/kg)	11.99	12.22
	Apples (p/kg)	12.02	19.20
Butter	Rama (500g)	16.85	24.99
Milk	Farm Fresh (1L)	10.98	18.20
Sugar	Marathon White 2kg	16.01	34.21
	Sugar King White 2kg	15.99	33.26
Cooking Oil	(750ml)	7.99	16.99
	(2L)	27.22	42.90
Cereal	Oats (Jungle) 1kg	20.34	29.01
Tea	Five Roses (250g)	26.22	45.99
	Fresh Park (200g)	16.79	38.85
Coffee	Ricoffy (250g)	23.91	35.10
Cool drink(2L)	Coke	15.19	19.09
	Fanta	15.19	19.05

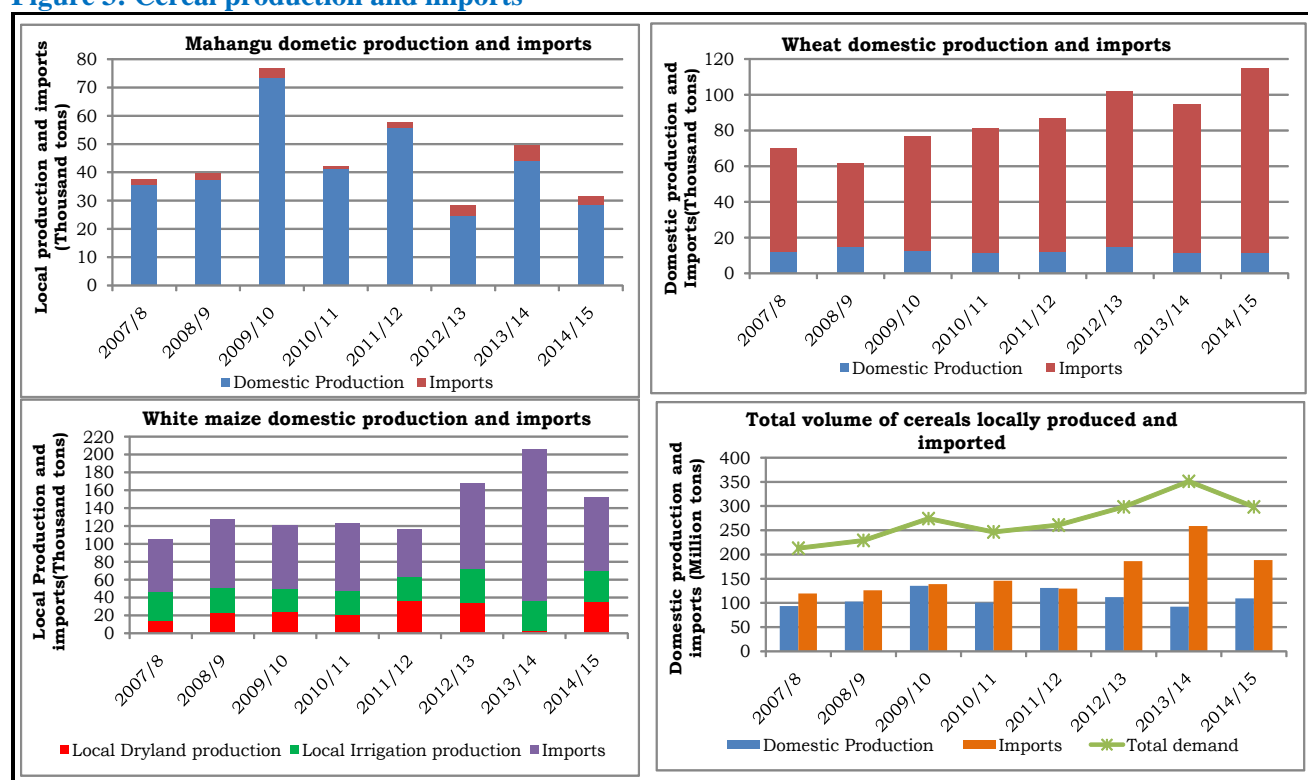
Source: First Capital Research

#### 5. Domestic production and imports of cereals in Namibia

To better understand the reasons behind the price trends, it is critical to consider demand and supply dynamics. This section presents the domestic demand on cereal products which are consumed within the country. On the supply-side, we present production which is comprised of locally produced commodities and international production which is imported to meet the local demand. During the year 2014/15, almost 110 million tons of both mahangu, wheat and white maize grains were produced in the country by domestic resources (*See figure 3*). However, due to high demand of cereal grains for consumption, feeding of animals and production of other

food products, a total of 189 million tons of cereals were imported from other countries mainly from South Africa to satisfy the demand for consumption of 300 million tons during the same period. White maize accounts for half of the total demand for cereals, while wheat and mahangu accounts for 38 and 11 percent respectively. Despite that white maize is highly demanded, more than half of what is consumed is imported with nearly 45 percent produced locally. For wheat cereals, Namibia's total demand is almost 10 times more than what is produced locally. This therefore makes wheat industry highly dependent on supplies from other countries. However, with mahangu Namibia remains a net producer. Ninety percent of mahangu cereals consumed within the country are locally produced while only 10 percent is sourced from other countries.

**Figure 3: Cereal production and imports**



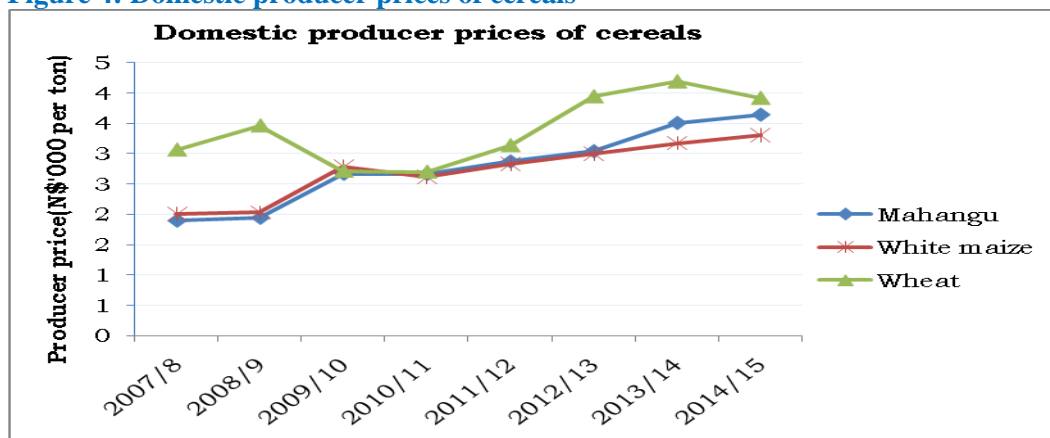
Source: Namibia Agronomic Board(NAB) and MAWF

## 6. Domestic producer prices of cereals

Retail prices are highly influenced by the cost of inputs. In this section we present the prices producers charge on grains as a proxy of the input cost. Though the cost of production is dependent on factors including labour and other raw materials, we are certain that the price of grains reflects how much it costs to produce such grains that are then used to produce retail cereal final goods. During the year 2014/15, wheat price for producers was trading at N\$3 923 per ton while mahangu and maize grains traded at N\$3640 and N\$3302 respectively (See figure 4). White maize and mahangu prices have generally come cheaper than wheat price since 2010/11. Generally, mahangu and maize prices moves in similar direction while the trend of wheat price

remains different. This is not surprising because maize and mahangu prices have much to do with domestic factors because they are mostly produced locally while wheat price difference shows little resembles to domestic prices since wheat is mostly imported and hence price difference.

**Figure 4: Domestic producer prices of cereals**

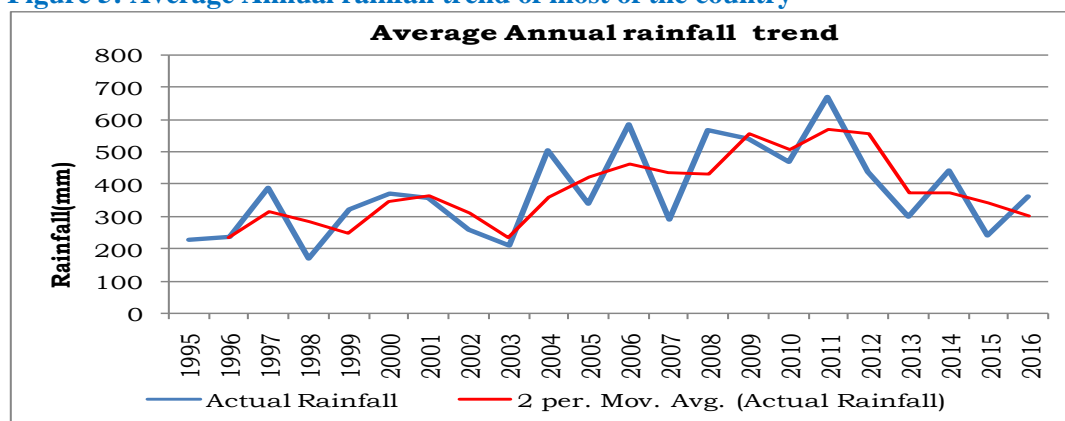


Source: NAB, MAWF and First Capital Research

## 7. Namibia Rainfall pattern

Namibia has recorded less rainfall in 2015. Figure 5 below shows the average rainfall trend of most towns representative of the country. According to data available on rainfall, the average rainfall declined significantly in 2015 compared to rainfall figures some few years ago. An average of 242 mm of rainfall was observed in most parts of the country in 2015 which is much lower than the rainfall figures recorded between 2008 and 2014 when rainfall recorded ranged between 300mm and 670 mm. The 2015 rainfall figures remains lowest since 2003. The effect of low rainfall has negatively affected supply of agriculture commodities since weak harvest resulting from fewer rainfall meant few supply at the time when demand remains strong hence inflation reaching its highest levels.

**Figure 5: Average Annual rainfall trend of most of the country**

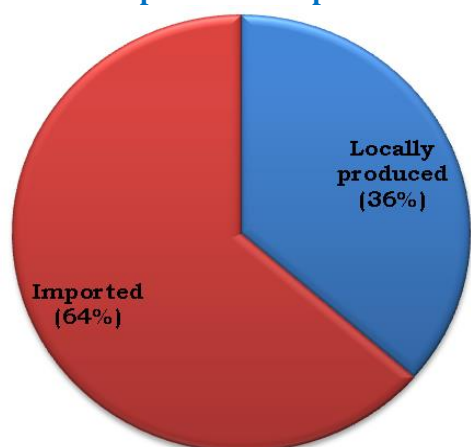


Source: Namibia Meteorological Centre, First Capital Research

## 8. Local production and import of horticultural fresh products in Namibia

Horticultural fresh products commonly feature up on almost everyday's consumption pattern of households on food. These include vegetables and fruits. Figure 6 below shows the proportions of the quantity of vegetables and fruits locally produced against the proportion imported. During 2014/15, Namibia produced 36 percent of the total demand for vegetables and fruits consumed in Namibia, while the remaining balance was imported from South Africa and other countries.

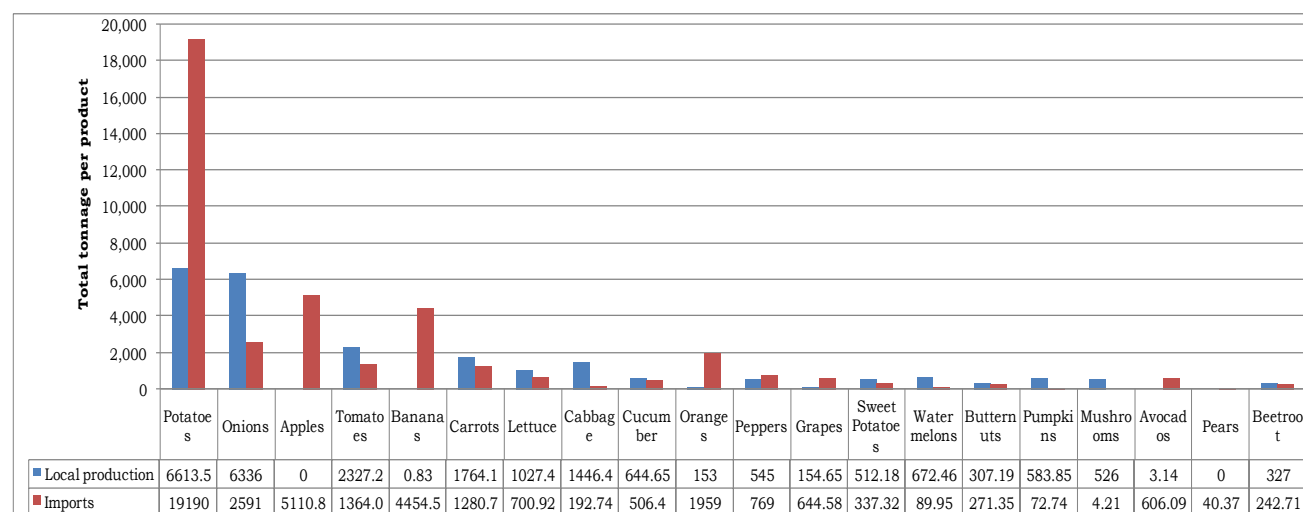
**Figure 6: Proportion of imports vs local production of horticultural fresh products**



*Source: NAB,MAWF, First Capital Research*

Figure 7 shows the distribution of quantity produced locally and imported from the top 20 fresh vegetables and fruits mostly consumed or demanded in Namibia. Top on the demand of Namibians among vegetables and fruits are potatoes followed by onions, apples and tomatoes. Bananas and carrots are 5<sup>th</sup> and 6<sup>th</sup> most demanded. Despite that potatoes are the most demanded, Namibia only produces a quarter of the total demand for potatoes in the country, while 75 percent of potatoes consumed are imported. Further, although apples are the most liked among fruits, Namibia does not produce apples. Very few bananas are also produced in Namibia while nearly all bananas consumed are imported. Similarly, Namibia imports 93 percent of the total demand for oranges.

**Figure 7: Imports vs Local production of top 20 most consumed horticultural fresh products**



Source: NAB

## 9. Top 10 countries producing agriculture commodities by type

The United States of America remains the largest producer of maize followed by China and Brazil (See table 5 below). However, Brazil's improvement of scaling up the production of maize production paid by making it the third biggest producer in the world, a step up from the fourth position it was 15 years ago. As of 2015/16 no African country features in top 10.

**Table 5: Top 10 producers of Maize**

Top 10 Producers of maize			
2000/01		2015/16	
Country	Production (Million metric tons)	Country	Production (Million metric tons)
USA	251.9	USA	345.5
China	106	China	224.6
EU	51.8	Brazil	67
Brazil	41.5	EU	58.5
Argentina	15.4	Argentina	28
Mexico	17.9	Mexico	25.8
India	12	Ukraine	23.3
South Africa	8	India	21.8
Canada	7	Canada	13.6
Indonesia	5.9	Russia	13.2
Others	74.3	Others	137.8
<b>Global</b>	<b>591.7</b>	<b>Global</b>	<b>959.1</b>

Source: World Bank, First Capital Research

The European Union remains the major producer of wheat followed by China and India. Currently Ukraine is ranked the 7<sup>th</sup> biggest producer of wheat after improvement of making it in top 10 when 15 years ago it was not featuring on the top 10 producers of wheat in the world. Similarly, none of the African countries features in the top 10 producers of wheat currently (*See table 6*).

**Table 6: Top 10 producers of Wheat**

<b>Top 10 Producers of Wheat</b>			
<b>2000/01</b>		<b>2015/16</b>	
<b>Country</b>	<b>Production (Million metric tons)</b>	<b>Country</b>	<b>Production (Million metric tons)</b>
EU	132.7	EU	160
China	99.6	China	130.2
India	76.4	India	86.5
USA	60.6	Russia	61
Russia	34.5	USA	56.1
Canada	26.5	Canada	27.6
Australia	22.1	Ukraine	27.3
Pakistan	21.1	Pakistan	25.1
Turkey	18	Australia	24.5
Argentina	16.3	Turkey	19.5
Other	75.5	Other	117.2
<b>Global</b>	<b>583.3</b>	<b>Global</b>	<b>735</b>

*Source: World Bank, First Capital Research*

Global rice production is mainly dominated by Asian countries with the 9 biggest producers of rice being Asian countries amongst them China, India, Indonesia, Bangladesh, Vietnam etc. Brazil is ranked 10<sup>th</sup> in terms of rice production making it the only non-Asian country in top 10 producers of rice in the world (*See table 7 below*).

**Table 7: Top 10 producers of Rice**

<b>Top 10 Producers of Rice</b>			
<b>2000/01</b>		<b>2015/16</b>	
<b>Country</b>	<b>Production (Million metric tons)</b>	<b>Country</b>	<b>Production (Million metric tons)</b>
China	131.5	China	145.8
India	85	India	104.3
Indonesia	33	Indonesia	36.2
Bangladesh	25.1	Bangladesh	34.5
Vietnam	20.5	Vietnam	27.5
Thailand	17.1	Thailand	15.8
Myanmar	10.8	Myanmar	12.2
Japan	8.6	Philippines	11.4
Philippines	8.1	Japan	7.7
Brazil	6.9	Brazil	7.2
Other	52.6	Other	69.5
<b>Global</b>	<b>399.2</b>	<b>Global</b>	<b>472.1</b>

*Source: World Bank, First Capital Research*



Brazil was ranked the producer of coffee in the world followed by Vietnam and Colombia. Ethiopia and Uganda are the only two African countries featuring in the top 10 producers of coffee in the world. However, Cote d'Ivoire was ranked 5<sup>th</sup> biggest producer in the world 15 years ago and now it does not feature anywhere on the top 10 list of producers (See table 8).

**Table 8: Top 10 producers of Coffee**

<b>Top 10 Producers of Coffee</b>			
<b>2000/01</b>		<b>2015/16</b>	
<b>Country</b>	<b>Production (Thousand 60kg bags)</b>	<b>Country</b>	<b>Production (Thousand 60kg bags)</b>
Brazil	34,100	Brazil	49,400
Vietnam	15,333	Vietnam	29,300
Colombia	10,500	Colombia	13,600
Indonesia	6,495	Indonesia	11,750
Code d'Ivoire	5,100	Ethiopia	6,500
India	5,020	Honduras	5,700
Mexico	4,800	India	5,300
Guatemala	4,564	Uganda	4,500
Uganda	3,097	Peru	3,500
Peru	2,824	Guatemala	3,350
Other	25,384	Other	20,392
<b>Global</b>	<b>117,217</b>	<b>Global</b>	<b>153,292</b>

Source: World Bank, First Capital Research

Brazil is currently ranked the biggest producer of sugar followed by India. However, The European Union's production levels of sugar declined marginally from 22 million metric tonnes in 2000/01 to 14 million metric tonnes in 2015/16 bringing it two steps down to third position ranking in the world (See table 9 below).

**Table 9: Top 10 producers of Sugar**

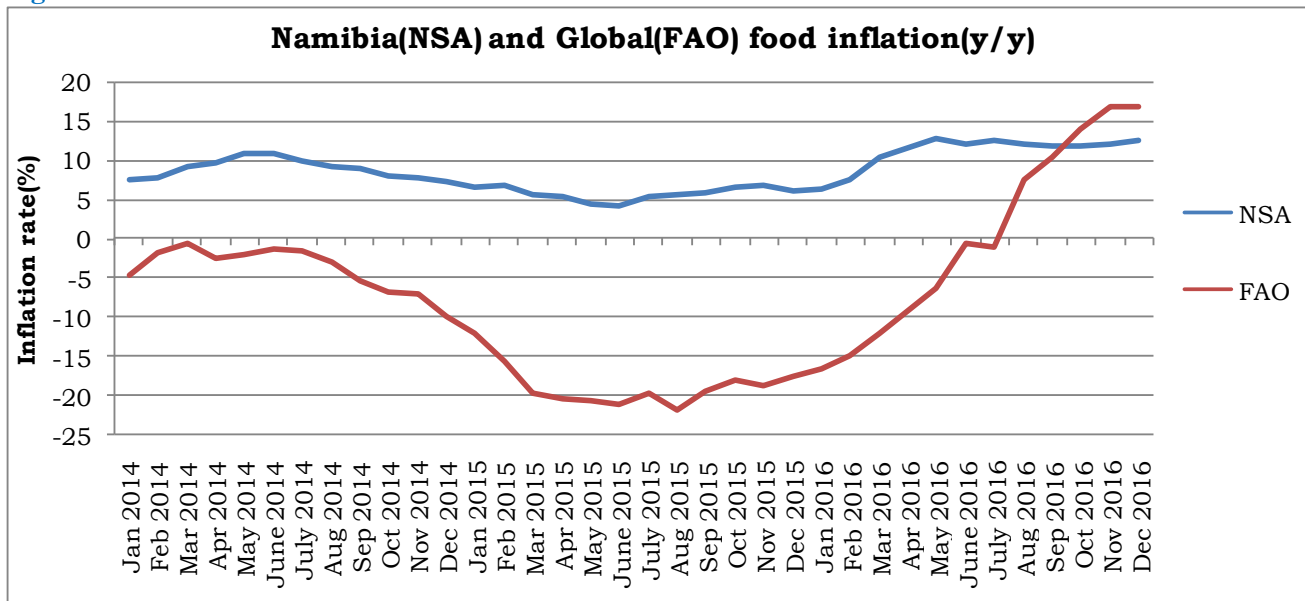
<b>Top 10 Producers of Sugar</b>			
<b>2000/01</b>		<b>2015/16</b>	
<b>Country</b>	<b>Production (Million metric tons)</b>	<b>Country</b>	<b>Production (Million metric tons)</b>
EU	22.1	Brazil	34.7
India	20.5	India	27.7
Brazil	14.1	EU	14
USA	8	Thailand	9.7
China	6.8	China	8.4
Mexico	5.2	USA	8.1
Thailand	5.1	Mexico	6.6
Australia	4.2	Russia	5.2
Turkey	2.8	Pakistan	5.1
Pakistan	2.6	Australia	5
Other	61.5	Other	40.4
<b>Global</b>	<b>152.9</b>	<b>Global</b>	<b>164.9</b>

Source: World Bank, First Capital Research

## 10. Namibia Inflation

The Annual inflation on food has since July last year edged to positive inflation numbers after a prolonged deflation due to excess supply. Contrary to the previous trend of domestic inflation trending higher while international prices kept falling on annual basis, the trend of international price movements since late 2016 has matched the domestic price inflation. It is not however surprising that Namibia's domestic inflation now follows the trend of international price movements given the stable exchange rate throughout 2016 that indicates a period of minimum exchange rate shock effects on inflation. However, the upward trend of international food commodity prices poses upside risks on domestic inflation.

Figure 8: Namibia vs Global Food Inflation



Source: NSA, FAO and First Capital Research

## 11. Namibia inflation vs other countries

In the region, Namibia's inflation mirrors that of South Africa, a case not surprising given that Namibia imports its inflation from South Africa through the more than 50 percent of goods that are imported into Namibia for consumption. However, though inflation differs across the region with Zambia having high levels and Botswana recording the lowest, the trend looks almost similar. Though figures differ marginally, times when inflation was highest in South Africa, both Botswana, Zambia and Namibia had highest levels and vice versa. This however shows how South African prices affects its regional trading partners, hence the effects in South Africa, are worth for policy consideration in the SADC regional countries. While it remain common for prices to increase over a year period of time, in USA and UK food prices declined in both October, November and December compared to prices in the same periods last year implying that food has been cheaper in these countries than it was 12 months ago.

**Table 10: Annual inflation for Namibia & other selected countries**

		October 2016		November 2016		December 2016	
		Overall inflation	Food & Non-alcoholic beverages inflation	Overall inflation	Food & Non-alcoholic beverages inflation	Overall inflation	Food & Non-alcoholic beverages inflation
<b>Region</b>	Namibia	7.3	11.7	7.3	11.6	7.3	12.5
	Botswana	2.7	3.3	2.9	3.8	3.0	3.9
	South Africa	6.4	11.8	6.8	11.5	6.6	11.7
	Zambia	12.5	15.6	8.8	9.2	7.5	7.8
<b>Emerging economies</b>	China	2.1	3.7	2.3	4.0	2.1	2.4
	India	4.2	3.3	3.6	2.1	3.4	1.4
	Russia	6.1	5.5	5.8	5.0	5.4	4.2
	Brazil	7.9	12.4	7.0	10.2	6.3	8.6
<b>Advanced economies</b>	UK	0.9	-2.4	1.2	-2.0	1.6	-1.1
	USA	1.6	-0.4	1.7	-0.4	2.1	-0.2

Source: Various central banks and Government Departments of Statistics

## 12. 2017 Namibia food prices outlook

We estimate Food price inflation to remain above 10 percent in the first two quarters of 2017 and trend marginally below 10 percent in the last two quarters of 2017. We believe that the price decline in domestically produced cereals by Namib Mills will be insufficient to bring food inflation within single digits given the limited weight of such goods on the shopping basket of consumers and the increase on other products that could offset the price relief on domestic cereals. The decline in prices will be mainly influenced by cereals like maize meal, macaroni, spaghetti and rice due to the implementation of the price relief by Namib Mills as producers of cereal goods a decision we believe will translate to lower retail prices of such cereals. Milk prices could also decline as we anticipate production to increase on account of improving livestock conditions. However, we anticipate meat prices to increase for at least another year as farmers restock livestock and limit supply.

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